

From: Menzie, Keith - OCE [KMenzie@oce.usda.gov]
Sent: Thursday, August 30, 2012 2:45 PM
To: Conner, Michael (EIA)
Subject: Monthly Biodiesel Production Report

Dear Mr. Conner,

My name is Keith Menzie and I am the chairperson of the U.S. Department of Agriculture's Interagency Commodity Estimates Committee for Oilseeds. I lead the Department's oilseeds forecasting efforts that culminate in a publication called the World Agricultural Supply and Demand Estimates (WASDE), published each month along with the monthly *Crop Production* report. Our main output is an official set of supply, demand, and price forecasts for soybeans, soybean meal, and soybean oil.

As part of the soybean oil supply and demand balance sheet we provide forecasts of soybean oil use. Until April 2012 we had provided separate forecasts of food and fuel (biodiesel) use of soybean oil. Our official source of data for the biodiesel portion had been the Census Bureau, which provided a survey-based report (M311K) that included soybean oil used for biodiesel. That report was terminated by Census last year, leaving July 2011 as our last reported data. For several months after the report was terminated, we tried to base our projections on EPA data. However, the data proved to be too aggregated, and not clearly in line with what had been reported by Census prior to termination of the M311K. Because of our inability to use the EPA data effectively to forecast soybean oil used for biodiesel, we terminated our forecast of this beginning in May 2012. Many in the trade were concerned about this action, but all understood that without reliable and accurate data, the forecast was impossible to retain.

Soon after the May WASDE report, we saw the June EIA Monthly Biodiesel Production report with data through March. I have been following the report for several months, and have spoken about it with many in the trade. I am considering restoring our official forecast of the biodiesel component of the soybean oil balance sheet based on your report. If we do this, the numbers you publish would become our standard, and at the end of our marketing year (October-September) each year, we would match our final number to yours.

I have two questions that might help us decide whether to reinstate our biodiesel projections. First, since I just stopped forecasting in May based on lack of regularly available reliable data, I would like to be sure there are no plans to discontinue your report in the near future. My second question regards the requirements to report to EIA. The Census M311k report was based on required industry participation in the survey, helping to ensure the entire population was reflected in the results. Is participation in the EIA survey also required?

Thanks for your help, and also thanks for putting together a great report on the biodiesel industry.

Sincerely,

Keith Menzie
WAOB/USDA
202-720-7394

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